

## Message Text

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ACTION EA-14

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NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 155

INFO AMCONSUL MEDAN

ORSUMJHE/AMCONSUL SURABAYA 4755

C O N F I D E N T I A L JAKARTA 0086

E.O. 11652: GDS

TAGS: PINT, ID, PDEV

SUBJECT: SUHARTO'S NEW YEAR'S EVE ADDRESS

1. BEGIN UNCLASSIFIED. SUMMARY: PRESIDENT SUHARTO, IN

NEW YEAR'S EVE SPEECH TO NATION, SAID HIS GOVERNMENT GIVES CAREFUL ATTENTION TO CRITICISM SUCH AS RECENT "SHARP" PROTESTS BY STUDENTS, AND THAT THIS IS PROOF THAT DEMOCRACY "IS ALIVE AND WELL" IN INDONESIA. SUHARTO ALSO PRAISED INDONESIA'S ECONOMIC ACHIEVEMENTS IN 1973 - IN SPITE OF INFLATION RATE OF 27 PERCENT AND PROMISED GREATER ATTENTION TO PUBLIC WELFARE AND PROBLEMS OF ECONOMICALLY WEAK IN 1974. HE SAID SECURITY SITUATION WAS GOOD, BUT WARNED AGAINST DANGER FROM COMMUNIST REMNANTS, WHICH HE SAID WERE RESPONSIBLE FOR AUGUST 5 RIOTS IN BANDUNG. FOLLOWING BASED ON PRESS REPORTS. END SUMMARY.

2. CRITICISM AND TWO-WAY COMMUNICATION WELCOMED. IN HIS YEAR-END STATE OF THE NATION SUMMARY, SUHARTO STRESSED THAT HE IS PAYING CAREFUL ATTENTION TO PUBLIC CRITICISMS, PARTICULARLY THAT OF STUDENTS WHICH HAVE RECENTLY BEEN VOICED AGAINST GOVERNMENT POLICIES, AND THAT HE HAD INSTRUCTED HIS MINISTERS TO DO THE SAME AND "MAKE CORRECTIONS" ACCORDINGLY. CONFIDENTIAL

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HE SAID THIS RESPONSIVENESS TO CRITICISM WAS IN KEEPING WITH HIS GOVERNMENT'S DESIRE FOR FREE, YET RESPONSIBLE "TWO-WAY COMMUNICATION" WHICH HE ANNOUNCED IN SPEECH TO PARLIAMENT LAST AUGUST 16. THE "SHARP" CRITICISM NOW BEING EXPRESSED "AT LEAST REFLECTS THAT PEOPLE FEEL A COMMON RESPONSIBILITY FOR PROBLEMS WE FACE".

AND "THIS SHOWS THAT DEMOCRACY IS ALIVE AND WELL IN THIS COUNTRY". HE CAUTIONED, HOWEVER, THAT CRITICISM MUST BE RESPONSIBLE AND CONSTRUCTIVE, AND PUBLIC ORDER MUST NOT BE DISTURBED, IF DEMOCRACY IS TO FLOURISH.

3. ECONOMIC PROGRESS. SUHARTO SAID THERE WERE IMPORTANCE ECONOMIC GAINS IN 1973, IN SPITE OF AN INFLATION RATE OF 27 PERCENT, WHICH HE SAID WAS ABOUT THE SAME AS 1972 RATE AND ATTRIBUTABLE TO EXTERNAL FACTORS. EXPORTS WERE UP FROM \$1.7 BILLION IN 1972 TO \$2.9 BILLION IN 1973, WHILE IMPORTS INCREASED FROM \$1.6 BILLION TO \$2.7 BILLION. INDUSTRIAL PRODUCTION

INCREASED BY APPROXIMATELY 10 PERCENT; BOTH DOMESTIC AND FOREIGN INVESTMENT GREW SUBSTANTIALY; AND FOR FIRST TIME TOTAL DOMESTIC INVESTMENTS APPROVED BY GOVERNMENT EXCEEDED FOREIGN INVESTMENT. SUHARTO ADDED THAT BEGINNING IN 1973, ALL NEW FOREIGN INVESTMENTS IN INDONESIA WERE IN THE FORM OF JOINT VENTURES WITH INDONESIAN PARTNERS, AND THAT THE GOVERNMENT WAS BECOMING MORE SELECTIVE IN APPROVING FOREIGN INVESTMENTS. SUHARTO ALSO MENTIONED NEW CREDIT POLICIES INTRODUCED IN 1973 TO PROMOTE SMALL AND INDIGENOUS BUSINESS DEVELOPMENT AND OTHER GOVERNMENT EFFORTS ON BEHALF OF "ECONOMICALLY WEAK". HOWEVER HE SAID, EVEN GREATER EFFORTS WILL BE NEEDED IN 1974 TO INCREASE WELFARE FOR GENERAL PUBLIC AND INCREASE EMPLOYMENT.

4. FOREIGN AID NOT A BURDEN. IN RESPONSE TO RECENT CRITICISMS THAT FOREIGN AID WILL BE SERIOUS BURDEN  
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ON FUTURE GENERATION, PRESIDENT SAID TERMS OF AID TO INDONESIA ARE THE MOST LENIENT IN THE WORLD, AND

INVESTMENTS REALIZED FROM AID WILL MORE THAN REPAY THESE DEBTS. HE ADDED THAT WHEREAS IN 1968 ENTIRE DEVELOPMENT BUDGET DERIVED FROM FOREIGN AID, ONLY 55 PERCENT OF FY 73/74 DEVELOPMENT BUDGET CAME FROM AID

FUNDS.

5. INTERNAL SECURITY - COMMUNIST SUBVERSION STILL A THREAT. SUHARTO DESCRIBED SECURITY SITUATION AS GENERALLY GOOD, BUT WARNED AGAINST EVER-PRESENT DANGER OF COMMUNIST REMNANTS. IN URGING CONTINUED VIGILANCE AGAINST COMMUNISTS, SUHARTO SAID HE WAS NOT "WITCH HUNTING", AND REFERRED TO "PROOF" OF COMMUNIST INVOLVEMENT IN AUGUST 5 BANDUNG RIOTS AS EXAMPLE OF CONTINUING COMMUNIST MENACE.

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6. SUHARTO'S STRONG COMMENTS ON CONSTRUCTIVE ROLE OF CRITICISM AND GOVERNMENT'S ATTENTION TO RECENT STUDENT PROTEST GIVES PRESIDENTIAL SANCTION TO CONCILIATORY APPROACH VOICED BY OTHER GOI CIVILIAN AND MILITARY SPOKESMEN IN RECENT WEEKS. GOVERNMENT EVIDENTLY BELIEVES PUBLIC AIRING OF GRIEVANCES AND DISCONTENT, NOTWITHSTANDING ITS NEGATIVE EFFECT ON GOVERNMENT'S IMAGE, IS LESSER EVIL THAN RESENTMENT AND FURTHER ALIENATION THAT WOULD BE CAUSED BY CRACKDOWN ON PROTEST. REFERENCE TO AUGUST 5 BANDUNG RIOT AS PROOF OF CONTINUING COMMUNIST DANGER CONTRASTS WITH SUHARTO'S COMMENTS ON RIOHIN AUGUST 16 SPEECH IN WHICH HE AVOIDED BLAMING COMMUNISTS.

7. 27 PERCENT INFLATION FIGURE ANNOUNCED BY SUHARTO SLIGHTLY EXCEEDS 25 PERCENT FIGURE OF 1972, WHICH RESULTED MAINLY FROM DROUGHT AND RICE SHORTAGES. MOST ECONOMIC OBSERVERS BELIEVE 27 PERCENT FIGURE FOR 1973 UNDERSTATES TRUE EXTENT OF INFLATION DURING PAST YEAR AND GLOSSES OVER ACCELERATION OF PRICE  
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INCREASES IN RECENT MONTHS, ALMOST EXCLUSIVELY IN IMPORTED COMMODITIES.  
GALBRAITH

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NNN

\*\*\* Current Handling Restrictions \*\*\* n/a

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